

**ASSEMBLY BILL**

**No. 140**

**Introduced by Assembly Member Strom-Martin**

January 24, 2001

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An act to amend, repeal, and add Sections 270, 275, 276 of, and to add and repeal Section 276.5 of, the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 140, as introduced, Strom-Martin. Rural telecommunications infrastructure: grants.

(1) Existing law creates the High-Cost Fund-A Administration Committee and the High-Cost Fund-B Administrative Committee to advise the Public Utilities Commission regarding programs to provide for transfer payments to telephone corporations providing services in high cost areas and to carry out the programs under the commission's authority.

This bill would, under the Public Utilities Act, until January 1, 2006, also establish a grant program for the construction of telecommunications infrastructure, as prescribed.

The bill would provide that the corporations receiving transfer payments shall continue to be fully reimbursed for the costs they are entitled to recover.

Under the bill, the funding for the grant program would be from the existing California High-Cost Fund-A Administrative Committee Fund or the High-Cost Fund-B Administrative Committee Fund, or both, up to a specified annual limit, as determined by the commission. The bill would require the commission to award grants, as specified. The bill would require the commission to establish a working group to develop

technical criteria for evaluating the grants. Because, under the act, a violation of these provisions would be a crime, this bill would impose a state-mandated local program by creating new crimes.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 270 of the Public Utilities Code is  
2 amended to read:

3 270. (a) The following funds are hereby created in the State  
4 Treasury:

5 (1) The California High-Cost Fund-A Administrative  
6 Committee Fund.

7 (2) The California High-Cost Fund-B Administrative  
8 Committee Fund.

9 (3) The Universal Lifeline Telephone Service Trust  
10 Administrative Committee Fund.

11 (4) The Deaf and Disabled Telecommunications Program  
12 Administrative Committee Fund.

13 (5) The Payphone Service Providers Committee Fund.

14 (6) The California Teleconnect Fund Administrative  
15 Committee Fund.

16 (b) Moneys in the funds may only be expended pursuant to this  
17 chapter and upon appropriation in the annual Budget Act.

18 (c) Moneys in each fund may not be appropriated, or in any  
19 other manner transferred or otherwise diverted, to any other fund  
20 or entity, *except as provided for in Sections 276 and 276.5.*

21 ~~(d) Notwithstanding Section 7550.5 of the Government Code,~~  
22 ~~on~~ On or before July 1, 2000, the Public Utilities Commission, in  
23 consultation with the Department of Finance, shall report to the  
24 Governor and the Legislature regarding a transition plan for  
25 programs associated with funds to be established within the State  
26 Treasury, as specified in subdivision (a). The transition plan report

1 shall include information regarding the annual revenue to be  
2 deposited in, and the annual estimated expenditure for, each fund  
3 specified in subdivision (a). Advisory committees created by  
4 Sections 275, 276, 277, 278, 279, and 280 shall provide  
5 information and input to the commission in development of the  
6 specified transition plan.

7 *(e) This section shall remain in effect only until January 1,*  
8 *2006, and as of that date is repealed, unless a later enacted statute,*  
9 *that is enacted before January 1, 2006, deletes or extends that date.*

10 SEC. 2. Section 270 is added to the Public Utilities Code, to  
11 read:

12 270. (a) The following funds are hereby created in the State  
13 Treasury:

14 (1) The California High-Cost Fund-A Administrative  
15 Committee Fund.

16 (2) The California High-Cost Fund-B Administrative  
17 Committee Fund.

18 (3) The Universal Lifeline Telephone Service Trust  
19 Administrative Committee Fund.

20 (4) The Deaf and Disabled Telecommunications Program  
21 Administrative Committee Fund.

22 (5) The Payphone Service Providers Committee Fund.

23 (6) The California Teleconnect Fund Administrative  
24 Committee Fund.

25 (b) Moneys in the funds may only be expended pursuant to this  
26 chapter and upon appropriation in the annual Budget Act.

27 (c) Moneys in each fund may not be appropriated, or in any  
28 other manner transferred or otherwise diverted, to any other fund  
29 or entity.

30 (d) On or before July 1, 2000, the Public Utilities Commission,  
31 in consultation with the Department of Finance, shall report to the  
32 Governor and the Legislature regarding a transition plan for  
33 programs associated with funds to be established within the State  
34 Treasury, as specified in subdivision (a). The transition plan report  
35 shall include information regarding the annual revenue to be  
36 deposited in, and the annual estimated expenditure for, each fund  
37 specified in subdivision (a). Advisory committees created by  
38 Sections 275, 276, 277, 278, 279, and 280 shall provide  
39 information and input to the commission in development of the  
40 specified transition plan.

1 (e) This section shall become operative on January 1, 2006.

2 SEC. 3. Section 275 of the Public Utilities Code is amended  
3 to read:

4 275. (a) There is hereby created the California High-Cost  
5 Fund-A Administrative Committee, which is an advisory board to  
6 advise the commission regarding the development,  
7 implementation, and administration of a program to provide for  
8 transfer payments to small independent telephone corporations  
9 providing local exchange services in high-cost rural and small  
10 metropolitan areas in the state to create fair and equitable local rate  
11 structures, as provided for in Section 739.3, *the development of a*  
12 *grant program for the construction of telecommunications*  
13 *infrastructure as set forth in Section 276.5*, and to carry out the  
14 programs pursuant to the commission's direction, control, and  
15 approval.

16 (b) All revenues collected by telephone corporations in rates  
17 authorized by the commission to fund the program specified in  
18 subdivision (a) shall be submitted to the commission pursuant to  
19 a schedule established by the commission. The commission shall  
20 transfer the moneys received to the Controller for deposit in the  
21 California High-Cost Fund-A Administrative Committee Fund.  
22 All interest earned by moneys in the fund shall be deposited in the  
23 fund. Any unexpended revenues collected prior to the operative  
24 date of this section shall be submitted to the commission, and the  
25 commission shall transfer those moneys to the Controller for  
26 deposit in the California High-Cost Fund-A Administrative  
27 Committee Fund.

28 (c) Moneys appropriated from the California High-Cost  
29 Fund-A Administrative Committee Fund to the commission shall  
30 be utilized exclusively by the commission for the programs  
31 specified in subdivision (a), including all costs of the board and the  
32 commission associated with the administration and oversight of  
33 the program and the fund.

34 (d) *Telephone corporations receiving transfer payments for*  
35 *providing local exchange services in high-cost areas in the state*  
36 *under the program established to create fair and equitable local*  
37 *rate structures as provided for in Section 739.3 shall continue to*  
38 *be fully reimbursed for the costs they are entitled to recover*  
39 *pursuant to commission Decision 96-10-066.*



1     (e) *This section shall remain in effect only until January 1,*  
2     *2006, and as of that date is repealed, unless a later enacted statute,*  
3     *that is enacted before January 1, 2006, deletes or extends that date.*

4     SEC. 4. Section 275 is added to the Public Utilities Code, to  
5     read:

6     275. (a) There is hereby created the California High-Cost  
7     Fund-A Administrative Committee, which is an advisory board to  
8     advise the commission regarding the development,  
9     implementation, and administration of a program to provide for  
10    transfer payments to small independent telephone corporations  
11    providing local exchange services in high-cost rural and small  
12    metropolitan areas in the state to create fair and equitable local rate  
13    structures, as provided for in Section 739.3, and to carry out the  
14    program pursuant to the commission's direction, control, and  
15    approval.

16    (b) All revenues collected by telephone corporations in rates  
17    authorized by the commission to fund the program specified in  
18    subdivision (a) shall be submitted to the commission pursuant to  
19    a schedule established by the commission. The commission shall  
20    transfer the moneys received to the Controller for deposit in the  
21    California High-Cost Fund-A Administrative Committee Fund.  
22    All interest earned by moneys in the fund shall be deposited in the  
23    fund. Any unexpended revenues collected prior to the operative  
24    date of this section shall be submitted to the commission, and the  
25    commission shall transfer those moneys to the Controller for  
26    deposit in the California High-Cost Fund-A Administrative  
27    Committee Fund.

28    (c) Moneys appropriated from the California High-Cost  
29    Fund-A Administrative Committee Fund to the commission shall  
30    be utilized exclusively by the commission for the program  
31    specified in subdivision (a), including all costs of the board and the  
32    commission associated with the administration and oversight of  
33    the program and the fund.

34    (d) This section shall become operative on January 1, 2006.

35    SEC. 5. Section 276 of the Public Utilities Code is amended  
36    to read:

37    276. (a) There is hereby created the California High-Cost  
38    Fund-B Administrative Committee, which is an advisory board to  
39    advise the commission regarding the development,  
40    implementation, and administration of a program to provide for

1 transfer payments to telephone corporations providing local  
2 exchange services in high-cost areas in the state to create fair and  
3 equitable local rate structures, as provided for in Section 739.3,  
4 *and the development of a grant program for the construction of*  
5 *telecommunications infrastructure as set forth in Section 276.5,*  
6 and to carry out the programs pursuant to the commission's  
7 direction, control, and approval.

8 (b) All revenues collected by telephone corporations in rates  
9 authorized by the commission to fund the program specified in  
10 subdivision (a) shall be submitted to the commission pursuant to  
11 a schedule established by the commission. The commission shall  
12 transfer the moneys received to the Controller for deposit in the  
13 California High-Cost Fund-B Administrative Committee Fund.  
14 All interest earned by moneys in the fund shall be deposited in the  
15 fund. Any unexpended revenues collected prior to the operative  
16 date of this section shall be submitted to the commission, and the  
17 commission shall transfer those moneys to the Controller for  
18 deposit in the California High-Cost Fund-B Administrative  
19 Committee Fund.

20 (c) Moneys appropriated from the California High-Cost  
21 Fund-B Administrative Committee Fund to the commission shall  
22 be utilized exclusively by the commission for the programs  
23 specified in subdivision (a), including all costs of the board and the  
24 commission associated with the administration and oversight of  
25 the programs and the fund.

26 (d) *Telephone corporations receiving transfer payments for*  
27 *providing local exchange services in high cost areas in the state*  
28 *under the program established to create fair and equitable local*  
29 *rate structures as provided for in Section 739.3 shall continue to*  
30 *be fully reimbursed for the costs they are entitled to recover*  
31 *pursuant to commission Decision 96-10-066.*

32 (e) *This section shall remain in effect only until January 1,*  
33 *2006, and as of that date is repealed, unless a later enacted statute,*  
34 *that is enacted before January 1, 2006, deletes or extends that date.*

35 SEC. 6. Section 276 is added to the Public Utilities Code, to  
36 read:

37 276. (a) There is hereby created the California High-Cost  
38 Fund-B Administrative Committee, which is an advisory board to  
39 advise the commission regarding the development,  
40 implementation, and administration of a program to provide for

1 transfer payments to telephone corporations providing local  
2 exchange services in high-cost areas in the state to create fair and  
3 equitable local rate structures, as provided for in Section 739.3,  
4 and to carry out the program pursuant to the commission's  
5 direction, control, and approval.

6 (b) All revenues collected by telephone corporations in rates  
7 authorized by the commission to fund the program specified in  
8 subdivision (a) shall be submitted to the commission pursuant to  
9 a schedule established by the commission. The commission shall  
10 transfer the moneys received to the Controller for deposit in the  
11 California High-Cost Fund-B Administrative Committee Fund.  
12 All interest earned by moneys in the fund shall be deposited in the  
13 fund. Any unexpended revenues collected prior to the operative  
14 date of this section shall be submitted to the commission, and the  
15 commission shall transfer those moneys to the Controller for  
16 deposit in the California High-Cost Fund-B Administrative  
17 Committee Fund.

18 (c) Moneys appropriated from the California High-Cost  
19 Fund-B Administrative Committee Fund to the commission shall  
20 be utilized exclusively by the commission for the program  
21 specified in subdivision (a), including all costs of the board and the  
22 commission associated with the administration and oversight of  
23 the program and the fund.

24 (d) This section shall become operative on January 1, 2006.

25 SEC. 7. Section 276.5 is added to the Public Utilities Code, to  
26 read:

27 276.5. (a) The commission shall establish a grant program to  
28 aid in the establishment of telecommunications service in areas not  
29 currently served by existing local exchange carriers. The program  
30 shall be funded out of either the California High-Cost  
31 Administrative Committee Fund-A or the California High-Cost  
32 Administrative Committee Fund-B, or both, as determined by the  
33 commission, and the funding level may not exceed ten million  
34 dollars (\$10,000,000) per year.

35 (b) On or after July 1, 2002, any community-based group  
36 representing a qualifying community may apply for and receive  
37 grants to build an original telecommunications infrastructure that  
38 can provide basic telecommunications service that will serve an  
39 area that meets the grant program's population criteria with  
40 consideration given to communities with schools, hospitals, and



1 health clinics, as set forth in Decision 96-10-066, and that  
2 currently lacks basic telecommunications services, as described in  
3 Decision 96-10-066 of the commission. A community-based  
4 group representing a qualifying community may alternatively  
5 apply for and receive a grant to subsidize the cost of the  
6 telecommunications service itself, if the group determines that this  
7 would be more cost-effective than subsidizing the building of an  
8 original telecommunications infrastructure. On or before June 30,  
9 2002, the commission, shall establish eligibility criteria for  
10 community-based groups to qualify to apply for  
11 telecommunications infrastructure grants. Qualifying  
12 communities shall have a median income no greater than the top  
13 income level used in the Universal Lifeline Telephone Service  
14 index.

15 (c) Grant proposals shall be submitted in accordance with  
16 procedures prescribed by the commission and evaluated and  
17 awarded by the commission using technology criteria developed  
18 by the government-industry working group established by  
19 subdivision (h). Grant proposals shall contain all of the following:

20 (1) Preliminary engineering feasibility studies conducted in  
21 cooperation with the local service providers that include all of the  
22 following:

23 (A) Topographical maps indicating the location of all existing  
24 residences.

25 (B) Schematic maps of the proposed network facilities.

26 (C) Recommendations and justifications for the preferred  
27 technologies.

28 (D) Network compatibility statements from one or more  
29 interconnecting carriers.

30 (E) Cost projections for the infrastructure facilities.

31 (F) Cost projections for the interconnection and recurring  
32 service provisions.

33 (G) Projected budget for engineering feasibility studies.

34 (2) Recommendations and letters of support from all of the  
35 following:

36 (A) The county board of supervisors.

37 (B) Other affected local governments.

38 (C) Affected school districts.

39 (D) Affected emergency service providers.

40 (E) Affected law enforcement agencies.





1 (3) Letters of commitment from 75 percent of the unserved  
2 population.

3 (4) A project schedule, including timeline and budget.

4 (5) A management plan that assures the proper utilization of  
5 grant funds.

6 (6) Evidence that competing providers and competing  
7 technologies have been considered and evaluated.

8 (d) Grant applicants that are rejected by the commission shall  
9 be reimbursed for the cost of their preliminary engineering  
10 feasibility studies from the grant program.

11 (e) The procedures developed for awarding grants shall ensure  
12 that the grants awarded do not exceed annual moneys available to  
13 support the program, that not more than one grant is awarded to a  
14 qualifying community, and that no one applicant receive more than  
15 25 percent of the designated program funds in a single fiscal year.

16 (f) In evaluating grant applications, the commission shall  
17 consider the cost effectiveness of the application, the number of  
18 people served, the level of local support, the ability of the  
19 community served to pay for the services delivered, and the effect  
20 on public health and safety.

21 (g) The commission shall establish a procedure that allows any  
22 telecommunications provider subject to commission jurisdiction  
23 that is capable of providing telephone service to the grant funded  
24 service area an opportunity to provide the interconnection to the  
25 public switched network.

26 (h) The commission shall establish a government-industry  
27 working group to develop the technical criteria to be used in  
28 evaluating grant awards. The working group shall be composed of,  
29 but not limited to, the following:

30 (1) Representatives of the commission.

31 (2) Representatives of the incumbent local exchange carrier  
32 industry.

33 (3) Representatives of the competitive local exchange carrier  
34 industry.

35 (4) Representatives of the wireless carrier industry.

36 (i) Grant applicants shall seek to secure federal sources of  
37 funding in conjunction with local subsidies for the construction of  
38 telecommunications infrastructure.

1 (j) This section shall remain in effect only until January 1,  
2 2006, and as of that date is repealed, unless a later enacted statute  
3 enacted before January 1, 2006, deletes or extends that date.

4 SEC. 8. No reimbursement is required by this act pursuant to  
5 Section 6 of Article XIII B of the California Constitution because  
6 the only costs that may be incurred by a local agency or school  
7 district will be incurred because this act creates a new crime or  
8 infraction, eliminates a crime or infraction, or changes the penalty  
9 for a crime or infraction, within the meaning of Section 17556 of  
10 the Government Code, or changes the definition of a crime within  
11 the meaning of Section 6 of Article XIII B of the California  
12 Constitution.

